

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 90-335-E - ORDER NO. 90-496 ✓
MAY 1, 1990

IN RE: Application of Duke Power Company)
for Authorization under Article 13,)
Chapter 27, of Title 58, of the Code) ORDER
of Laws of South Carolina 1976, to)
Issue and Sell Securities)
(Long-Term Debt))

On April 11, 1990, Duke Power Company (the Company or Duke) filed an application with the Public Service Commission of South Carolina (the Commission) for authorization to issue and sell a maximum of \$440,000,000 principal amount of its long-term debt securities (the Proposed Securities).

FINDINGS OF FACT

Duke is a corporation duly organized and existing under the laws of the State of North Carolina, is engaged in the business of generating, transmitting, distributing and selling electric power and energy, and in the business of operating water supply systems and urban transportation systems, and is a public utility under the laws of that State and in its operations in that State is subject to the jurisdiction of the North Carolina Utilities Commission. It is duly domesticated in the State of South Carolina and is authorized to conduct and carry on business, and is conducting and carrying on the businesses heretofore mentioned in

this State. It is also a public utility under the laws of the State of South Carolina and in its operations in this State is subject to the jurisdiction of the Commission. It is also a public utility under the Federal Power Act, and certain of its operations are subject to the jurisdiction of the Federal Energy Regulatory Commission.

Duke has demonstrated in its Application that additional funds for its continuing construction program will be needed in 1990 and in subsequent years while the need for additional funds for the redemption of higher cost debt securities is not anticipated at this time given the level of market interest rates, but such situation may change in the future making redemptions feasible.

Duke proposes to issue and sell from time to time a maximum of \$440,000,000 principal amount of the Proposed Securities, all or a portion of which may be First and Refunding Mortgage Bonds and any balance may be unsecured debt instruments. Duke intends to sell such securities during the effective period of the Shelf Registration Statement which will be filed with the Securities and Exchange Commission in connection with the registration of all or a portion of the Proposed Securities. The Proposed Securities may be sold on the domestic market or in the international market and proceeds from such sales will be used for the purposes of the Company's ongoing construction program, including the repayment of short-term debt incurred for that purpose, or for the purchase or redemption of outstanding higher cost debt securities.

Duke proposes to enter into negotiations with or request

proposals from investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers of either the public or private offering of each issuance in accordance with the terms thereof. Duke will determine which method and financial institution(s) will provide the most favorable terms for any issuance and sale of the Proposed Securities.

When any of the proposed securities are issued for refundings, Duke proposes to execute the proposed refundings so that over time there will be no material effect on the Company's capitalization either with respect to the source of the funds or to the mix of long-term and intermediate-term debt securities. To the extent the Proposed Securities are First and Refunding Mortgage Bonds, they will be created and issued under Duke's First and Refunding Mortgage dated as of December 1, 1927, to Guaranty Trust Company of New York (now Morgan Guaranty Trust Company of New York), as Trustee, and will be subject to all of the provisions of the Mortgage.

No fee for services (other than attorneys, accountants, mortgage trustee and fees for similar technical services) in connection with the negotiation or consummation of the sale of the Proposed Securities or for services in securing underwriters, agents, dealers or purchasers of such securities (other than fees negotiated with the aforesaid) will be paid in connection with the issue and sale of the Proposed Securities.

When the net proceeds from the sales of the Proposed Securities will be applied and used to purchase or redeem

outstanding debt securities, such sales will be made from time to time when market conditions will permit the sales on terms which would result in a lower cost of money to the extent of at least .5% on a discounted basis as against a break-even interest rate. Any premium on purchased or redeemed securities will be amortized over the life of the Proposed Securities and Duke proposes to include the after-tax amount of such unamortized premium in rate base as a component of working capital. Approximately 70% of the savings would inure to the benefit of the Applicant's North Carolina customers and 30% to the South Carolina customers. However, it is anticipated by the Company that most of the securities issued hereunder will be for its ongoing construction program, including the repayment of short-term debt obligations incurred for that purpose.

CONCLUSION

Upon review and study of the verified Application, its supporting data and other information in the Commission's files, the Commission is of the opinion, and so finds, that the Company is a public utility subject to the jurisdiction of this Commission with respect to its rates, service, and securities issues and that the issuance and sale of the Proposed Securities are:

- a. For a lawful object within the corporate purposes of the Company;
- b. Compatible with the public interest;
- c. Necessary and appropriate for and consistent with the proper performance by the Company of its service to the public and will not impair its ability to perform that service; and

- d. Reasonably necessary and appropriate for such purposes.

Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

IT IS THEREFORE ORDERED:

1. That Duke Power Company be, and hereby is authorized, empowered, and permitted, in the manner and upon the terms and conditions set forth in the Application, to issue and sell from time to time a maximum of \$440,000,000 principal amount of the Proposed Securities and to utilize the proceed of sale thereof for purposes of funding, in part, the Company's ongoing construction program, including the repayment of short-term debt obligations incurred for that purpose, or for the redemption of higher cost debt securities.

2. That the Company report to the Commission within thirty (30) days after the consummation of sale of any of the Proposed Securities pursuant hereto, the sale thereof (including the interest rate borne by such securities, the term thereof, the price received therefor and the expenses of sale) together with the underwriting agreement and Supplemental Indenture, if any, in the final form in which such documents were executed.

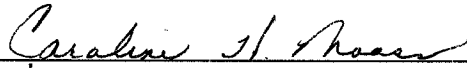
3. That approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

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4. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)